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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L MANAGUA 000929

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E.O. 12958: DECL: 09/23/2029
TAGS: [EFIN](#) [ECON](#) [NU](#)
SUBJECT: NICARAGUA: BANCENTRO DENIES ROLE IN MICROFINANCE
EMBEZZLEMENT

REF: MANAGUA 625

Classified By: DCM Richard M. Sanders for reasons 1.4 b & d.

¶1. (C) Summary: In a conversation with the DCM and Econcouns on September 18, BANCENTRO Managing Director Julio Cardenas defended his bank's handling of microfinance institution ACODEP's accounts in the wake of allegation that a former ACODEP president embezzled more than \$3 million from the microfinance institution in February and March 2009. He said BANCENTRO complied with all regulatory and legal requirements in denying the new ACODEP president access to accounts held at BANCENTRO until September 2009. Cardenas reported that twelve checks cashed at BANCENTRO by accomplices of the former ACODEP president were "routine transactions" that merited no additional scrutiny, despite the fact that infighting at ACODEP was well known at the time. Finally, Cardenas expressed some reluctance to formally investigate whether there was any wrongdoing on the part of a senior BANCENTRO employee whose husband is alleged to have cashed one of those twelve checks for \$250,000 at BANCENTRO as an accomplice to the embezzlement scheme, suggesting there was no reason to sully the bank employee's reputation. The DCM encouraged Cardenas to fully investigate and document these issues. End summary.

¶2. (C) Banco de Credito Centroamericano (BANCENTRO), the second largest bank in Nicaragua, provides banking services for the U.S. Embassy and benefits from lines of credit totaling \$37 million with the Overseas Private Investment Corporation (OPIC). In a conversation with the DCM and Econcouns on September 18, 2009, Managing Director of BANCENTRO Julio Cardenas addressed, in his words, "questions raised about whether BANCENTRO had a role in the embezzlement of funds from microfinance institution ACODEP." He said BANCENTRO President Roberto Zamora had tasked him with providing the Embassy complete information on the issue. Zamora had provided information on the case earlier in the week to OPIC officials, Cardenas advised.

¶3. (C) Cardenas began with a lengthy defense of BANCENTRO's refusal to provide Julio Paniagua access to accounts at the bank after he became president of ACODEP in the wake of the removal of his predecessor, Armando Garcia, over charges that he embezzled more than \$3 million from the microfinance institution (Ref A and septel). The Interior Ministry recognized Paniagua's appointment in May 2009, but it was not until September 2009 that BANCENTRO gave him access to ACODEP's accounts. Cardenas read most of a five-page chronology of BANCENTRO's actions on this point, referencing extensive correspondence among the bank, ACODEP, the Superintendency of Banks and Financial Entities, and the Ministry of the Interior. He concluded that his bank had complied with all regulatory and legal requirements in this matter.

¶4. (C) The DCM asked Cardenas to address allegations that BANCENTRO had cashed checks presented by accomplices of Garcia in February and March 2009, despite the fact that infighting over control of ACODEP had already become well known in the financial industry and was the subject of several press reports. Cardenas acknowledged that twelve checks -- lucrative severance payments that Garcia paid out to his accomplices -- were cashed at BANCENTRO branches. He called these "routine transactions" and said he did not know at which branches the checks were cashed. Cardenas explained that nothing about the transactions would have aroused the suspicion of bank tellers, since Garcia had legal authority to access ACODEP's accounts at that time. Cardenas claimed that to have refused these checks could have created legal difficulties with Garcia for BANCENTRO.

¶5. (C) Cardenas acknowledged that one individual implicated in the embezzlement scheme, Alfonso Llanes, was married to the manager of BANCENTRO's headquarters Managua branch, Sheila Llanes. Cardenas said Alfonso Llanes was one of the twelve Garcia accomplices who cashed a check at BANCENTRO. (Note: In a separate conversation with Econcouns, ACODEP President Paniagua said Llanes' severance payment was \$250,000 for three-weeks of work. End note.) Nonetheless, Cardenas said BANCENTRO had no reason to believe that the marital relationship between Alfonso and Sheila Llanes played any role in the embezzlement. When asked about whether the bank had launched an internal investigation into the matter to determine whether there was any wrongdoing on the part of Sheila Llanes, Cardenas responded that there was no need to sully the reputation of a BANCENTRO employee who had achieved a stellar record over the past 15 years.

¶6. (C) The DCM thanked Cardenas for his explanation of BANCENTRO's relationship with ACODEP but encouraged him to fully investigate and document these issues. The DCM suggested that such a report would help set the record straight and once and for all assuage concerns that BANCENTRO or one of its employees had somehow facilitated the embezzlement of funds from ACODEP. Cardenas said he would consult with bank President Roberto Zamora about the idea.

¶7. (C) Comment: We are surprised that, despite the well-known controversy surrounding ACODEP, the presentation of twelve checks for large sums, including one for \$250,000, did not arouse suspicion. By contrast, at the time the checks were cashed at BANCENTRO, local bank BANPRO had already frozen ACODEP accounts pending resolution of the fight for control of the institution. Furthermore, we are surprised that BANCENTRO did not investigate the relationship between its branch manager and one of the alleged beneficiaries of the embezzlement of funds from ACODEP. We hope that BANCENTRO takes on board our suggestion to fully investigate and document these issues. End comment.
CALLAHAN